

Statement of W. Kirk Miller
General Sales Manager
Foreign Agricultural Service
U.S. Department of Agriculture
Before the House Subcommittee on
Specialty Crops and Foreign Agriculture Programs
Washington, D.C.
June 16, 2005

Mr. Chairman, members of the Subcommittee, I appreciate the opportunity to provide you with an overview of the food aid programs of the U.S. Department of Agriculture. I am pleased to be joined by William Garvelink of the U.S. Agency for International Development (USAID). Our agencies work closely together in carrying out food aid and agricultural development activities.

This Administration remains committed to the international goal adopted at the 1996 World Food Summit to reduce by half the number of chronically hungry people by the year 2015. At the 2002 World Food Summit, the United States outlined three critical priorities for achieving that goal: reducing hunger by increasing agricultural productivity; ending famine; and improving nutrition worldwide.

The United States has long been the world's leading food aid donor. In addition, in the last few years, the Administration has been implementing a wide range of complementary initiatives designed to help improve world food security. These efforts include creation of the Millennium Challenge Corporation, the Initiative to End Hunger, the Global Fund to Fight HIV/AIDS, our agricultural science and technology initiative, the doubling of official development assistance, debt relief, and global trade liberalization.

We continue to stand ready to meet ongoing and emergency food needs and to help nations strengthen their own agricultural sectors. An excellent example of how effective we can

be in meeting emergencies is the effort to move food to people in Asia who were devastated by last year's tsunami. USDA and USAID contributed to relief and reconstruction efforts as part of a \$350-million U.S. pledge. We rerouted food aid totaling about \$12 million to nations most in need. USDA provided 15,000 tons of rice to Indonesia and Sri Lanka, and USAID provided 21,000 tons of rice, corn soy blend, soybean oil, and peas. Another example is our use of the Bill Emerson Humanitarian Trust last winter to provide 200,000 tons of wheat to the people suffering in Darfur.

G8 Hunger Initiative

Just last week, the President and British Prime Minister Tony Blair announced jointly their intention to seek increased efforts to fight hunger and address humanitarian needs in Africa. As part of this effort, the United States announced an additional \$674 million for humanitarian emergencies in Africa. This amount is on top of the \$1.4 billion we have already committed to emergency response in Africa this year and continues the record of American generosity and commitment to the developing world.

USDA, working with USAID, will provide wheat, vegetable oil, pulses, and corn soy blend to supply vitally needed nutrition to keep people alive. All the commodities will be shipped through the Title II program, managed by USAID. The wheat will be provided to the Title II program from the Bill Emerson Humanitarian Trust, managed by USDA.

The Bill Emerson Humanitarian Trust, a commodity and cash reserve held by the Commodity Credit Corporation was created in the early 1980's to assure that the United States can help meet emergency food needs in a timely manner. The Trust currently is comprised of 1.4 million tons of wheat and \$107 million. After we use 500,000 tons of wheat for the G8 initiative, there will be 900,000 metric tons remaining, of which up to 300,000 tons are available

for use this fiscal year, should it be needed. At the beginning of the new fiscal year on October 1, an additional 500,000 tons will be available. The CCC is currently owed \$62 million for past releases from the BEHT. An additional \$75 million will be owed for the value of the 500,000 metric ton release for Ethiopia/Eritrea. To assure that the Trust retains adequate inventory to meet future emergencies, the Administration is looking for opportunities to reimburse the Trust for prior releases.

USDA Food Aid Programs

In addition to managing the Trust, USDA administers Title I of P.L. 480, the Food for Progress Program, the McGovern-Dole International Food for Education and Child Nutrition Program, and Section 416(b) of the Agricultural Act of 1949. Most of these programs are focused on longer-term economic development goals rather than emergency needs.

Last year, under its fiscal year 2004 programs, USDA supplied more than 1 million metric tons of U.S. food commodities valued at \$375 million. In fiscal year 2005, we estimate that we will provide about 930,000 metric tons of commodities valued at \$290 million.

Under P.L. 480, Title I, food aid priority is accorded to countries that meet certain criteria, including undertaking economic development to improve food security and agricultural progress; to alleviate poverty; and to promote broad-based, equitable, sustainable development.

Title I provides for U.S. government financing of sales of U.S. agricultural commodities to developing countries. Financing is provided on concessional terms for up to 30 years, with a grace period and a low interest rate. These concessional credits are extended to governments; and in fiscal year 2005, USDA plans to provide \$40 million in such credits to two countries. The commodities are sold in the recipient country and the proceeds used to fund agricultural economic and infrastructure development.

Funds for the Food for Progress program come from USDA's Commodity Credit Corporation (CCC) as well as from appropriations under P.L. 480, Title I. Currently, these funds support grant programs. In fiscal year 2005, USDA plans to use \$94 million from Title I funds for these Food for Progress grants. In addition, Food for Progress activities funded through CCC are expected to total about \$137 million for commodities, transportation, and administrative costs.

The goal of the Food for Progress program is to help countries make difficult economic and political transitions, especially those governments that increase private-sector activity. Donations help developing countries and emerging democracies implement economic and agricultural reforms, recover from conflicts, assist with transitions under trade agreements, and fill gaps between production and consumption. In 2005, USDA focused on these objectives when allocating resources. USDA gave priority to programs in countries recovering from conflicts, such as Afghanistan and Burundi; in countries about to implement trade agreements that will require economic transitions, such as those in Latin America; and in countries with large food gaps to help improve nutrition.

Our newest USDA food aid program is the McGovern-Dole International Food for Education and Child Nutrition program. The fundamental goal of this program is to use food as an incentive to improve education and nutrition. For fiscal 2005, USDA is negotiating 17 Food for Education agreements in 15 developing countries. These programs will assist an estimated 3.4 million beneficiaries, primarily school children. Overall, about \$87 million will be available to provide 98,000 tons of food.

Each Food for Education proposal is reviewed using three criteria: providing incentives to help offset cultural barriers that limit education of girls; lessening the need for children to

work rather than go to school; and improving literacy rates, school attendance, and spending by the recipient country on education.

The Administration fully supports assisting countries in education and nutrition and has requested \$100 million for this program in fiscal 2006. This will allow us to help 500,000 more children.

In addition to these ongoing programs, USDA is also able to donate commodities obtained through domestic support programs under Section 416(b) of the Agricultural Act of 1949. Currently, the only commodity available for foreign donations under this authority is nonfat dry milk stocks that USDA acquires under the Dairy Price Support (DPS) program. Last fall, we announced the availability of 65,000 tons of nonfat dry milk; however, USDA stocks of nonfat dry milk are not as large as earlier anticipated under the DPS program, so we will be donating about 38,000 tons under the Section 416(b) authority.

Challenges Ahead

As we plan for the future, we recognize that the ongoing Doha Round of WTO negotiations could have important implications for food aid. For developing nations, trade liberalization is a vital key to market access development and to economic growth. Trade is one of the best means of generating the capital investment needed for growth. Jobs are created, employment grows, incomes rise, and the living standards of millions can be lifted as opportunity spreads throughout the economy. The promise of the current round of WTO negotiations is much greater than the last round, and this is especially true in the area of agriculture. We remain committed to negotiations to achieve broad-based farm trade reform that tackles export subsidies, market access, and subsidy reform.

While we think current rules governing food aid are adequate, we understand that new

disciplines in food aid will be a part of the final WTO agreement. The real challenge will be agreeing on disciplines that encourage donors to meet vital humanitarian and development needs while assuring no commercial market displacement.

The calls by some WTO members for cash-only food aid present another challenge to meeting the food aid needs for the poorest people. The Administration's FY 2006 Budget requests that a small portion of P.L. 480 be funded through cash assistance, which would feed more people.

What the world needs is more food aid commodities, more cash, and more donors -- not new, impractical rules that require everyone to contribute in exactly the same way. Any new disciplines applied to food aid should be discussed not only by trade negotiators, but also by international food aid experts. In the end, the focus must be on addressing the needs of the world's poorest countries, while assuring no market disruptions.

Several other factors also affect U.S. food aid efforts, such as tight federal budgets and the sheer number of worthwhile requests. In any given year, we receive far more food aid proposals than we have funds to support. Using the principles of the President's management agenda, we have further refined the targeting criteria that I outlined earlier. We have met with the food aid community on several occasions to provide guidance on the criteria we will use to evaluate fiscal year 2006 proposals. We are targeting our programs to low-income countries with food deficits. For the Food for Progress program, we are looking at countries that are advancing in the areas of political rights and civil liberties. For the Food for Education program, we are looking at countries' levels of female literacy and completion rates for primary education. We anticipate that our efforts to target food aid will become even more critical in the face of limited resources.

Clearly, Mr. Chairman, many challenges face us as we work to try to reduce hunger and malnutrition for the world's neediest people. Through our partnership with USAID, we will continue to build on the longstanding American record of generosity in providing food aid and development assistance.

That completes my statement, Mr. Chairman. I would be happy to answer any questions you or the members of the Subcommittee have.